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5 UNITED STATES DISTRICT COURT
6 WESTERN DISTRICT OF WASHINGTON
7 AT SEATTLE

8 COORDINATED CARE CORPORATION,
9 *et al.*,

10 Plaintiffs,

11 v.

12 QLIANCE MEDICAL GROUP OF
13 WASHINGTON PC, *et al.*,

14 Defendants.

NO. C17-1180MJP

ORDER REOPENING CASE AND
AMENDING PRIOR ORDER (DKT.
43)

15 This matter is again before the Court because there is a dispute regarding the meaning of
16 the December 14, 2017, order allowing interpleader and discharging liabilities (Dkt. # 43). The
17 Honorable Christopher M. Alston, United States Bankruptcy Judge, interpreted the order in such
18 a way that it bars only claims related to the \$75,000 in “quality incentive” payments that were
19 deposited in the Registry of the Court and distributed in the above-captioned matter. *In re*
20 *Qliance Med. Group of Wash., PC*, Adv. No. 19-1081CMA, Dkt. # 36 (B.R. Wash. Nov. 4,
21 2019). Coordinated Care Corporation (“CCC”) appealed Judge Alston’s decision to the district
22 court, and the appeal was transferred to the undersigned as related to this interpleader action. *See*
23 *In re Qliance Med. Group of Wash., PC*, C19-1960MJP (W.D. Wash.). Having reviewed the
24 records in the underlying adversary proceeding and the appeal, as well as the memoranda,
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27 ORDER REOPENING CASE AND
28 AMENDING PRIOR ORDER (DKT. # 43) - 1

1 declarations, and exhibits related to the Trustee's September 2019 motion to reopen this matter
2 (Dkt. # 63) and clarify/modify the prior order (Dkt. # 65), the Court finds as follows:

3 CCC filed this interpleader action in August 2017 alleging that it had accrued a liability to
4 Qliance Medical Group of Washington in the amount of \$144,825 under a medical services
5 agreement. Dkt. # 1 at ¶ 21. CCC called this amount the "Obligation," and, because there were
6 competing claims for the money, CCC sought leave to deposit the funds into the Registry of the
7 Court and a release from any and all liabilities arising out of the "Obligation." Dkt. # 1 at ¶ 21
8 and ¶ 26. Qliance was served with the complaint but did not appear. Dkt. # 22. CCC did not seek
9 a default judgment against Qliance, nor did it serve any subsequent documents on that defendant.
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11 During the course of the proceedings, CCC changed the nature of the relief requested. In
12 November 2017, it announced that, although it originally believed that it owed Qliance \$144,825
13 in "capitalization" payments under the medical services agreement, further reconciliation of its
14 accounts and unspecified calculations showed that, in fact, it owed only \$75,000 for "quality
15 incentive" payments. Dkt. # 38 at 3; Dkt. # 39 at ¶¶ 5-6. In its motion for leave to deposit funds
16 and for discharge, CCC requested that it be discharged from future liability (and protected from
17 future lawsuits) related to the deposited funds. Dkt. # 38 at 2. Its proposed order was crafted in
18 such a way that it arguably provides much broader relief, however: the proposed order declared
19 that the \$75,000 was "the full amount owed" under the medical services agreement, redefined
20 the term "Obligation," and ostensibly discharged all liabilities and enjoined all future claims
21 arising out of the agreement. Dkt. # 38-1 at 2.
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23 CCC's motion was unopposed, and the Court signed the proposed order. Dkt. # 43.
24 Another claimant - Dr. Erika Bliss, a pro se physician with an interest in the medical services
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1 agreement - filed a belated response arguing that CCC had “incorrectly and untruthfully asserted
2 that the total obligation due” is \$75,000, pointing out that there were outstanding and unpaid
3 invoices for \$144,925 in “capitation” payments and that CCC owed additional amounts in the
4 form of quality and financial incentive payments. Dkt. # 45. Dr. Bliss sought discovery
5 regarding CCC’s payment records and its assertion that only \$75,000 was owed under the
6 agreement. Dkt. # 57. CCC opposed reopening the interpleader/discharge order on the grounds
7 that Dr. Bliss’ submissions were untimely and were improper in the context of an interpleader
8 action, where the only issue was who had rights to the funds deposited with the court. Dkt. # 60
9 at 2. CCC specifically asserted that its interpleader action “is designed to only relieve the
10 Plaintiffs from their obligations in connection with the funds deposited in the Court Registry,
11 which Defendant does not appear to contest. If Defendant has any grounds to sustain claims that
12 Plaintiffs owe any amounts in addition to those that are the subject of this proceeding, she can
13 commence an action to pursue those claims” Dkt. # 60 at 3. The Court adopted CCC’s
14 reasoning, almost verbatim, in rejecting Dr. Bliss’ efforts to reopen the interpleader/discharge
15 order. Dkt. 61 at 5-6.

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19 CCC’s acknowledgment of the limitations of the discharge order did not survive this
20 litigation. When the Trustee of Qliance’s bankruptcy estate sought to recover additional amounts
21 CCC owed under the medical services agreement, CCC attempted to use the discharge order to
22 argue that any and all liabilities associated with the agreement had been discharged and that any
23 and all claims arising from the agreement had been enjoined. Judge Alston disagreed and found
24 that this interpleader action resolved the parties’ dispute regarding only the amount that was
25 deposited into the Registry of the Court, leaving the Trustee free to seek recovery of other sums
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1 due and owing under the agreement. Adv. No. 19-1081CMA, Dkt. # 36 at 56-57 (B.R. Wash.
2 Nov. 4, 2019).¹ CCC has appealed this ruling.


3 Federal Rule of Civil Procedure 60(a) authorizes a district court to correct or clarify a
4 judgment or order whenever an error is found, “on motion or on its own, with or without notice.”
5 The Court may use the rule “to correct a failure to memorialize part of its decision, to reflect the
6 necessary implications of the original order, to ensure that the court’s purpose is fully
7 implemented, . . . to permit enforcement . . . [or] for clarification and explanation, consistent
8 with the intent of the original judgment, even in the absence of ambiguity, if necessary for
9 enforcement.” *Garamendi v. Henin*, 683 F.3d 1069, 1079 (9th Cir. 2012) (internal quotation
10 marks omitted). The Court finds that amendment of the interpleader and discharge order is
11 appropriate in this case. The Court was never asked to, and did not, determine how much CCC
12 owed under the medical services agreement: the deposit of the amount that CCC unilaterally
13 calculated as its debt resolves its liability only as to that amount (and only as to the parties who
14 were properly subject to the judgment). The prior order must be clarified to ensure that it reflects
15 the Court’s contemporaneous intent and can be properly enforced.
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20 For all of the foregoing reasons, paragraph 3 of the Order Granting Plaintiffs’ Motion for
21 Leave to Deposit Funds, to Dismiss and Discharge Liability and for Award of Attorneys’ Costs
22 and Fees,” Dkt. # 43, is hereby amended to delete the phrase “which represents the full amount
23 owed” and replace it with “which represents the amount Plaintiffs admit is owed.” The
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25 ¹ Judge Alston also noted that, because CCC changed the scope of the relief requested in the
26 interpleader action without giving Qliance notice of the change, the discharge order is not enforceable
27 against Qliance. The Court need not address that finding here.

1 amendment clarifies that the amount interpled was unilaterally chosen by CCC, that the
2 interpleader relieved CCC from its obligations only with regards to the funds deposited in the
3 Court Registry, and that claimants who believe other monies are owed under the medical
4 services agreement are free to commence a lawsuit to pursue those claims.
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7 DATED this __31st__ day of __March__, 2020.

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10 Marsha J. Pechman
11 United States District Judge
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